

United States Government Accountability Office
Washington, DC 20548

February 7, 2012

The Honorable Joseph I. Lieberman
Chairman
The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

Subject: Air Force and Interior Can Benefit from Additional Guidance When Deciding Whether to Lease or Purchase Equipment

Federal agencies spend more than \$200 billion per year, on average, to lease or purchase equipment, with purchases accounting for nearly all of this spending.¹ With agencies facing new fiscal austerity challenges, it is increasingly important that every dollar is spent cost effectively. The Federal Acquisition Regulation (FAR) provides that when agencies are seeking to obtain equipment, they should consider whether it is more economical to lease equipment rather than purchase it as a component of acquisition planning. This is known as a lease versus purchase analysis.

You requested that we examine how this process is working. As agreed with your staff, we focused on one defense and one civilian agency, the Department of the Air Force (Air Force) and the Department of the Interior (Interior). We determined (1) the extent to which these agencies perform lease versus purchase analyses for equipment, and (2) the role the General Services Administration (GSA) plays in assisting agencies with making lease versus purchase decisions.

We examined applicable federal regulations, guidelines, and policies for performing lease versus purchase analyses and making related decisions. We also selected and reviewed a nongeneralizable sample of 32 contracts involving eight equipment codes at the two agencies. We selected the equipment codes based on criteria such as suitability for leasing, but eliminated categories of equipment subject to specific acquisition regulations, such as fleet vehicles. We selected the two agencies based on our analysis of the 17 top spending agencies for fiscal years 2006 through 2010 that had leasing and purchasing obligations in each of the selected equipment codes—Air Force, which had among the lowest percentage of leasing obligations, and Interior, which had among the highest. We interviewed contracting officials at Air Force and Interior to discuss the circumstances surrounding the selected contracts, the extent of any lease versus purchase analyses that had been

¹ During fiscal years 2006 through 2010, agencies annually spent, on average, about \$200 billion to purchase equipment and almost \$1 billion to lease equipment with rounding accounting for the difference between \$201 billion and \$200 billion.

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performed, and their experiences in applying federal regulations, guidelines, and policies applicable to lease versus purchase analyses.

To determine GSA's role in assisting agencies with lease versus purchase decisions, we reviewed relevant federal regulations, guidelines, and policies and interviewed GSA officials to determine their experience, if any, in assisting agencies in making these decisions. We also interviewed Air Force and Interior contracting officials to determine their experience, if any, in requesting GSA's assistance and the nature of that experience. For our full scope and methodology, see enclosure I.

We conducted this performance audit from May 2011 to January 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

Contracting officials from Air Force and Interior generally did not perform lease versus purchase analyses for selected contracts. Based on contract file reviews and discussions with contracting officials, we found that analyses were not performed and that contracting officials had not considered the alternative acquisition method for 24 of the 32 selected contracts. For the 8 contracts with lease versus purchase analyses, 5 were documented in the contract files and 3 were performed but were not documented, according to contracting officials. In most cases, contract files did not contain basic information to make lease or purchase decisions, such as the length of time the equipment would be used. Even files containing documentation of analyses generally did not address the full range of criteria specified in the FAR. For example, the analyses typically lacked a discussion of the financial and operating advantages of alternate approaches that would help contracting officials determine the appropriate acquisition method. Contracting officials noted that their decision to lease or purchase equipment often depends on the nature of the requirement, such as a short-term need for equipment, based on documents or other correspondence from the requester. Further, these officials generally stated that while they are familiar with the FAR guidance, they typically do not know how or when to perform the analyses and are not provided training on how to do so.

GSA officials said they are able to assist agencies in making lease versus purchase decisions, as discussed in the FAR, but could not identify any case when a federal agency had requested this assistance and do not have current information on whom agencies can contact at GSA. Air Force and Interior contracting officials stated they had not sought this assistance and more than half were unaware that GSA could provide such assistance. The two GSA offices listed in the FAR as the offices from which agencies can request assistance in making lease versus purchase decisions no longer exist.

We are recommending that both the Air Force and Interior develop and provide guidance and training to their contracting officials on performing lease versus purchase analyses and that GSA take steps to update the FAR to identify the offices agencies should contact for assistance in conducting these analyses.

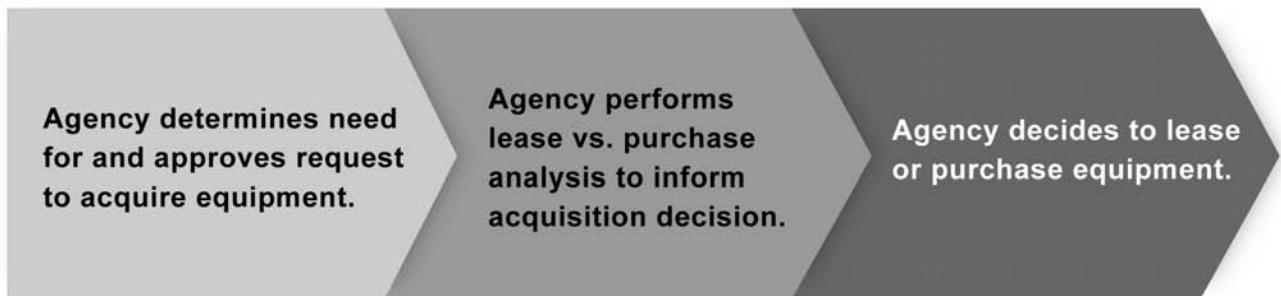
Background

The FAR provides that agencies should conduct acquisition planning and market research to ensure, in part, that the government meets its needs using the most economical and suitable approach. One component of acquisition planning is the decision on whether it is more economical to lease rather than purchase equipment. The FAR provides guidance that agencies should use when considering whether to lease or purchase equipment based on a case-by-case evaluation of comparative costs and other factors, including, at a minimum, the

- (1) estimated length of the period that the equipment is to be used and the extent of use in that period,
- (2) financial and operating advantages of alternative types and makes of equipment,
- (3) cumulative rental payments for the estimated period of use,
- (4) net purchase price,
- (5) transportation and installation costs,
- (6) maintenance and other service costs, and
- (7) potential obsolescence of the equipment because of imminent technological improvements.²

When making the decision to lease or purchase equipment, the FAR notes that purchasing is generally appropriate if the equipment is to be used beyond the point in time when the cumulative leasing costs exceed the purchase costs.³ A lease versus purchase analysis is an analytical tool to enable agencies to compare costs and other factors. This process is illustrated in figure 1.

Figure 1: Using a Lease versus Purchase Analysis to Inform an Acquisition Decision



Source: GAO analysis of federal acquisition regulations, guidance, and policies.

The FAR also notes that agencies can request GSA's assistance in making lease versus purchase decisions.⁴ Specifically, when assistance is requested by an agency, the FAR provides that GSA will assist in lease versus purchase decisions by providing information

² FAR § 7.401(b) lists additional factors that should be considered as appropriate, depending on the type, cost, complexity, and estimated period of use of the equipment, such as availability of purchase options, potential for use of the equipment by other agencies after its use by the acquiring activity has ended, trade-in or salvage value, imputed interest, and availability of a servicing capability, especially for highly complex equipment.

³ The FAR does not distinguish between leasing and renting.

⁴ FAR § 7.403.

such as pending price adjustments to the Federal Supply Schedules, recent or imminent technological developments, new techniques, and industry or market trends.⁵

In addition to the FAR, other acquisition and financial management policies provide guidance to agencies on performing lease versus purchase analyses in making acquisition decisions. For example, the Office of Management and Budget's (OMB) Circular A-94 provides that whenever federal agencies need to acquire the use of a capital asset, such as equipment, property, or other durable goods, they should do so in the way that is least expensive for the government as a whole.⁶ The circular provides that all leases of capital assets for major acquisitions must be justified as preferable to direct government purchase and ownership.⁷ GSA also has guidelines for leasing items from its Federal Supply Schedules. The GSA guidelines provide that once agencies have selected equipment from one of its schedules, a determination needs to be made as to whether it is more advantageous to lease or purchase the equipment. To make this determination, the guidelines note that contracting officials should compare the purchase prices offered by schedule vendors with the leasing terms offered by the third-party leasing companies listed in the schedule. In addition, the Department of Defense's (DOD) Federal Acquisition Regulation Supplement (DFARS) provides further direction by providing, among other things, that if the equipment will be leased for more than 60 days, the requiring activity must prepare and provide the contracting officer with the justification supporting the decision to lease.⁸

GAO has previously noted that some agencies do not always take full advantage of acquisition planning to develop a strong foundation for their acquisitions.⁹ Beyond challenges with acquisition planning, DOD's Inspector General has reported that DOD agencies did not always properly perform lease versus purchase analyses and identified cases that may have involved unnecessary costs to the government and the taxpayer. Specifically, in 1999 the DOD Inspector General found that DOD organizations did not perform, or properly perform, lease versus purchase analyses prior to awarding over 500 contract actions. As a result, the Inspector General estimated that DOD incurred over \$6 million in unnecessary costs.¹⁰ Further, the Inspector General's report noted that following its audit, all of the services, except the Air Force, sent their staff memorandums instructing them to conduct lease versus purchase analyses before awarding new contracts.

⁵ GSA's Federal Supply Schedule program, also known as the Multiple Award Schedule program, consists of contracts awarded by GSA for similar or comparable goods and services, established with more than one supplier at varying prices. FAR §§ 8.401 and 8.402.

⁶ OMB Circular A-94 is generally applicable for (1) acquisitions of equipment, property, or other durable goods that are leased to the federal government for a term of 3 or more years and (2) assets or a group of related assets whose total fair market value exceeds \$1 million.

⁷ Under OMB Circular A-94, a lease represents a major acquisition if the total purchase price of the asset or group of assets to be leased would exceed \$500 million.

⁸ DFARS § 207.401. DOD has additional guidance for conducting cost-effectiveness assessments in terms of economic analyses for decision making (e.g., that all costs for both lease and purchase alternatives should be handled in a consistent and equitable fashion) in DOD Instruction 7041.3, *Economic Analysis for Decisionmaking* (Nov. 7, 1995), at enc. 3, attach. 2, Special Procedures for Leasing.

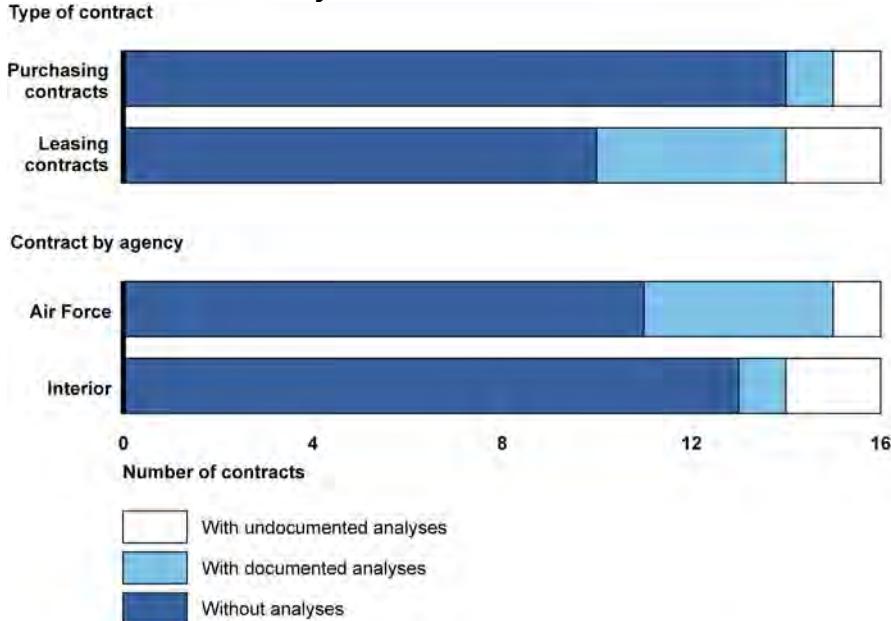
⁹ GAO reported on how civilian agencies conduct acquisition planning for services contracts; see GAO, *Acquisition Planning: Opportunities to Build Strong Foundations for Better Services Contracts*, [GAO-11-672](#) (Washington, D.C.: Aug. 9, 2011).

¹⁰ Department of Defense, Office of Inspector General, *Contract Actions for Leased Equipment*, DOD IG-99-195 (Arlington, Va.: June 30, 1999).

Contracting Officials at Air Force and Interior Did Not Perform Lease versus Purchase Analyses for Most Selected Contracts

Although the FAR provides guidance that contracting officials should consider when determining whether to lease or purchase, also known as a lease versus purchase analysis, Air Force and Interior officials did not conduct such analyses for 24 of the 32 contracts we reviewed. Five of the remaining 8 contracts had documented lease versus purchase analyses, and contracting officials said they performed analyses for the 3 additional contracts but did not document the results.¹¹ The extent of lease versus purchase analyses for all 32 contracts we reviewed is shown in figure 2.

Figure 2: Proportion of Selected Contracts, by Type and by Agency, with Lease versus Purchase Analyses



Source: GAO analysis of selected Department of the Air Force and Department of the Interior contracts.

The 24 contract files we reviewed where lease versus purchase analyses were not conducted did not contain sufficient information to allow the contracting official to perform an analysis. Specifically, in most cases, neither the request from the activity in need of the equipment nor other supporting documents, such as market research information, contained sufficient details that would enable contracting officials to perform a lease versus purchase analysis. Examples of cases where agencies leased or purchased equipment but did not evaluate the alternative acquisition method include the following:

- An Air Force contract file for leasing medical equipment used for blood analysis contained information on the range of costs associated with leasing various makes of equipment for up to 5 years. The file did not contain any information, however, regarding purchasing such equipment, which could have been used to assess whether leasing or purchasing was the best option for the government.

¹¹ FAR subpart 7.4 does not specifically provide for documentation of the lease versus purchase analysis. However, in certain circumstances, a written acquisition plan may be required by FAR Subpart 7.1, including whether equipment will be acquired by lease or purchase and why. FAR § 7.105(b)(5).

- An Air Force contract file for purchasing medical equipment to assist with identifying foreign substances contained price quotes and justification documents supporting a purchase. The file did not contain any documentation that indicated that leasing rates were considered as part of an assessment of whether leasing or purchasing the equipment was the best option for the government.
- Interior purchased a sophisticated geological apparatus for almost \$117,000 without conducting a lease versus purchase analysis. The agency also leased similar equipment for a 6-day scientific expedition, costing the agency about \$53,300, without evaluating the comparative costs of purchasing the equipment. When asked about the different acquisition decisions for the same type of geological equipment, contracting officials noted that the scientists requesting the equipment for the 6-day expedition did not have sufficient training to set up and maintain the equipment. These officials told us that they made the decision to lease since the leasing contract included the cost of operation and maintenance during the expedition.
- An Interior contract file involved the lease of three forklifts for a few months at a cost of \$6,000 each. The contracting official stated that she did not perform a lease versus purchase analysis or even consider purchasing forklifts or researching prices for forklifts to determine whether purchasing the forklifts would be the more advantageous acquisition method. The official cited a lack of storage space and insufficient demand outside of the few months of surge operations each year. According to this official, the demand for forklifts to support surge operations each year was consistent, although the actual number of forklifts required might vary each year. When we searched GSA schedules, we found forklifts matching the required specifications that could be purchased for approximately the same cost as leasing a forklift for a few months three or four times. We did not research the availability or costs of storage.

When Conducted, Lease versus Purchase Analyses Were Incomplete

Out of the 16 Air Force contract files we reviewed, 4 had a documented lease versus purchase analysis. According to an Air Force contracting official, another contract was supported by an undocumented analysis. All 5 of these contracts involved leases. We found no Air Force purchase contract for which a leasing option was considered.

For the 16 Interior contract files we reviewed, only 3 contracts had evidence that lease versus purchase analyses were performed. A contract for an aircraft purchase contained a documented analysis, and according to Interior contracting officials, 2 other contracts, 1 lease and 1 purchase, were supported by analyses that were performed but not documented.

The documents containing the lease versus purchase analyses at both the Air Force and Interior varied. For example, lease versus purchase analyses were included in narrative discussions in the source selection memorandums, acquisition strategies, and separate lease versus purchase analysis memorandums. However, the documented lease versus purchase analyses we reviewed, both at the Air Force and Interior, did not include an assessment of the full range of criteria specified in the FAR. These analyses typically included lease and purchase cost information, but not an assessment of

- the financial and operating advantages of alternate types and makes of equipment,

- the potential obsolescence of the equipment because of imminent technological improvements,
- availability of purchase options,
- trade-in or salvage value, and
- the potential for use of the equipment by other agencies after its use by the acquiring agency has ended.¹²

For the three undocumented lease versus purchase analyses that contracting officials informed us about, both at the Air Force and Interior, we were unable to determine the criteria covered in the analyses and did not find any documented evidence in the contract files that the alternative acquisition methods were considered. We did not find any evidence in the contract files that the agency had both leasing and purchasing price information, which contracting officials could have used in a cost comparison.

Contracting Officials Cite Need for Additional Guidance

The majority of the contracting officials we interviewed told us that their decisions to lease or purchase equipment usually are based upon the nature of the equipment or correspondence with the requiring activity and not the result of any case-by-case evaluation of comparative costs and other factors as discussed in the FAR. Most stated that such analyses were not necessary because the nature of each requirement fit a lease or purchase based on information in the request documents submitted by the requesting officials. Contracting officials stated that they contacted the requester to obtain additional information when needed to understand the requirement.¹³

Most of the contracting officials stated that they generally were aware of the lease versus purchase provisions in the FAR and other guidance, but they did not know when or how to perform these analyses. Further, most contracting officials we contacted stated that they had not received any lease versus purchase analysis training, regardless of their level of experience, and had no knowledge of this training being offered. Several contracting officers said that existing guidance and policy documents are difficult to understand and they would prefer a more detailed, comprehensive source of guidance for when and how to perform lease versus purchase analyses. For example, contracting officials stated that existing guidance, including the FAR and OMB circulars, are too general in nature and do not direct agencies about when to perform more in-depth analyses. In addition, the contracting officials stated that specialized training on when and how to perform lease versus purchase analyses and online analytical tools would assist them in performing their work.

GSA Officials Cite Their Ability to Assist Agencies with Lease versus Purchase Analyses, but Have Received No Requests

GSA officials stated that they can assist federal agencies in making lease versus purchase decisions. Specifically, GSA officials said they have the expertise to assist federal agencies with making lease versus purchase decisions and fulfilling other aspects of the role discussed in the FAR, including providing information on industry or market trends. GSA officials stated that they have the ability to perform lease versus purchase analyses and do so as part of their normal business operations.

¹² The first two factors above are minimum factors that the FAR provides should be considered; the remaining factors are additional factors that the FAR provides should be considered, as appropriate. FAR § 7.401.

¹³ An Interior official explained that lease versus purchase analyses may be done by analysts who work in the requesting offices, and that contracting officials should be able to access the documents. We did not find that this was occurring based on our discussions with the Interior contracting officials.

GSA officials were unable to identify instances when another federal agency requested their assistance in making lease versus purchase decisions. GSA officials stated, however, that federal agency contracting officials generally seek other types of acquisition assistance after having already made a decision to lease or purchase, including asking GSA to identify products available from GSA's schedule vendors. While such assistance can help agencies in acquiring equipment from GSA's contracts, the assistance does not help agencies with making lease versus purchase decisions. Specifically, GSA's ordering guidelines provide that agencies' contracting officers need to make a determination as to whether it is more advantageous to lease or purchase equipment. Although the guidelines themselves do not provide information on how to make such a determination, they state that OMB circular A-94 describes the economic analysis that is to be used in determining the economic impact of leasing versus purchasing and provides guidance for analyzing the decision whether to lease or purchase a requirement.

The Air Force and Interior contracting officials we contacted stated that they have not sought out lease versus purchase assistance from GSA, nor did they know how to request this type of assistance. Moreover, none of the contracting officials knew whom they would contact within GSA for this lease versus purchase assistance. More than half of the officials were unaware of the FAR subsection describing GSA's assistance role. Further, while the FAR mentions GSA's role in assisting agencies with making lease versus purchase decisions, the two GSA offices listed from which agencies may request this information no longer exist, according to GSA officials.¹⁴ In addition, GSA officials were unable to direct us to or provide us with the current contact information for any existing GSA office that had assumed this role.

Conclusions

With the federal government entering a time of increasing fiscal austerity, agencies and their contracting officials need to ensure that they are making effective use of taxpayer dollars and getting the best value when acquiring equipment. The FAR and other acquisition guidance and policies provide that agencies should make cost-effective acquisition decisions, in part, by performing lease versus purchase analyses. While contracting officers told us their decisions to lease or purchase equipment were based on the best value to the government, without performing lease versus purchase analyses to assist with acquisition decision making, contracting officials may not have had sufficient information to make the best acquisition decisions.

Although contracting officers told us they are generally familiar with the guidance on performing lease versus purchase analyses, we found that they are generally not conducting case-by-case evaluations using the factors described in the FAR and may benefit from guidance and training on when and how to properly perform such analyses. Some components within DOD have issued such guidance, but not the Air Force. Interior lacks such guidance as well. While GSA may be able to provide agencies with assistance in making lease versus purchase decisions, contracting officials may not be taking advantage of this opportunity because they are not aware of whom to contact within GSA to request it.

Recommendations for Executive Action

To help ensure that Air Force and Interior contracting officials are performing lease versus purchase analyses to inform and make cost-effective decisions when obtaining equipment,

¹⁴ These GSA offices, the Center for Strategic Information Technology Analysis and the Office of Acquisition, Federal Supply Service, are listed in FAR § 7.403(b).

we recommend that the Secretary of the Air Force and Secretary of the Interior develop and provide additional guidance and training on how to perform lease versus purchase analyses based on a case-by-case evaluation of the factors listed in the FAR.

We recommend that the Administrator of General Services take the necessary steps to have FAR subpart 7.4 updated to reflect GSA's current contact information so federal agencies and their contracting officers have accurate information to use in requesting GSA's assistance in making lease versus purchase decisions.

Agency Comments

We provided a draft of this correspondence to the Air Force, Interior, and GSA for review and comment. Interior informed us by e-mail that that the department concurred with our recommendations. DOD, responding for the Air Force, and GSA provided written responses, which are reprinted in enclosures II and III, respectively, in which they concurred with our recommendations. DOD stated that the Air Force will reemphasize the lease versus purchase guidance within FAR subpart 7.4. In addition, DOD will coordinate with the Defense Acquisition University to assess its training curriculum to determine whether available lease versus purchase training needs improvement. GSA responded that the agency will immediately initiate a technical correction to update the FAR and will update its website with current contact information for the GSA offices that provide leasing and purchasing support.

We are sending copies of this report to the Secretary of Defense, Secretary of the Interior, Secretary of the Air Force, and the Administrator of General Services. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-4841 or woodsw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in enclosure IV.



William T. Woods
Director, Acquisition and Sourcing Management

Enclosures - 4

Enclosure I: Scope and Methodology

Our review addresses two objectives: (1) To what extent are selected agencies performing lease versus purchase analyses for equipment? (2) What role does the General Services Administration (GSA) play in assisting agencies in making lease versus purchase decisions? We focused our review on the extent to which 2 of the top 17 obligating agencies in the federal government—the Department of the Air Force (Air Force) and the Department of the Interior (Interior)—performed lease versus purchase analyses for 32 selected contracts for the fiscal years 2006-2010 period. For the purposes of this review, we limited our scope to the eight equipment codes provided in table 1.

Table 1: Selected Equipment Codes

Equipment code title	Equipment code
Aircraft and Airframe Structural Components	15
Construction Equipment	38
Material Handling Equipment	39
Maintenance and Repair Equipment	49
Communication Equipment	58
Lab Equipment	66
Training Aids and Devices	69
Automated Data Processing Equipment	70

Source: 1998 *FPDS-NG Product and Service Code Manual*.

We selected the eight equipment codes by developing three sets of criteria to eliminate equipment codes unsuitable for leasing or codes that lacked shared use across agencies: (1) consumables or limited use items; (2) specialty use items and items subject to additional procurement regulations (e.g., sophisticated military equipment), real property items, and fleet vehicles and repair components (i.e., items unusable without companion items); and (3) raw material items. After applying these criteria, we used Federal Procurement Data System - Next Generation (FPDS-NG) procurement data from fiscal years 2006 through 2010 to identify equipment codes with high, sustained demand of at least \$500 million, on average on an annual basis, for leasing and purchasing.¹⁵ We then eliminated those equipment codes not shared by at least 13 agencies in the fiscal years 2006-2010 period to come up with a final list of 8 equipment codes.

We selected the 2 agencies by analyzing FPDS-NG procurement data from fiscal years 2006 through 2010 to identify the top 17 agencies in terms of annual equipment obligations.

¹⁵ As identified through analysis of FPDS-NG data from fiscal years 2006 through 2010.

From this list of 17, we identified 9 agencies with both annual leasing and purchasing obligations within the eight equipment codes we selected from fiscal years 2006 through 2010 to ensure that findings from one agency could be applied to the other agency. From the resulting list of 9 agencies, we selected one defense agency, the Air Force, and one civilian agency, Interior. We selected the Air Force and Interior because, relative to the other defense and civilian agencies, they were among the lowest—Air Force—and highest—Interior—agencies based on their percentage of leasing obligations.

After identifying equipment codes and agencies, we selected 32 contracts, 16 contracts per agency, to identify eight pairs of the same or similar items for each equipment code for each agency. We identified the pairs by first selecting a leasing contract and then selecting a purchasing contract because fewer leasing contracts existed compared to purchasing contracts. By selecting pairs, we sought to identify the circumstances, if any, that led an agency to purchase equipment in one situation and lease the same or similar equipment in another situation. The contracts we selected included those from nine different Air Force commands and six Interior bureaus.

To assess the extent to which agencies perform lease versus purchase analyses and GSA's role assisting agencies with lease versus purchase decisions, we reviewed relevant federal regulations, guidelines, and policies, including the Federal Acquisition Regulation to identify how and when lease versus purchase analyses should be performed. We then developed a data collection instrument to review the 32 selected contracts and assess the extent to which lease versus purchase analyses were documented. To the extent possible, we supplemented the contract reviews by interviewing Air Force and Interior contracting officials responsible for or familiar with the contracts to determine if an analysis had been performed regardless of contract documentation and the specific circumstances surrounding each procurement.

To determine GSA's role in assisting agencies in making lease versus purchase decisions, we reviewed relevant federal regulations, guidelines, and policies defining GSA's role. We also met with officials from multiple offices within GSA—the Assisted Acquisition Services Division; the Office of Travel, Motor Vehicle, and Card Services; the Office of Governmentwide Acquisition Contracts; the Office of Information Technology Acquisition Group; and the Office of Acquisition Management—to interview officials about their experience, if any, in providing this lease versus purchase assistance to other agencies. In addition, we interviewed Air Force and Interior contracting officials responsible for or familiar with the contracts we selected to determine the extent to which they were familiar with GSA's assistance role, whether they sought GSA's assistance when making lease versus purchase decisions, and if they sought such assistance, the outcome of those requests.

In regard to data reliability, we relied on computer-processed data from FPDS-NG to determine the contracting organizations to visit and select our nonstatistical sample for our contract file review. We mitigated any data reliability problems that might exist with FPDS-NG data by using other data sources, such as the Electronic Data Access (EDA) and the actual contract file documents, to corroborate and supplement the FPDS-NG data.¹⁶ We also oversampled these contract files with the knowledge that we would drop some of the sample files when we determined that the contract file data differed from the FPDS-NG data used to initially select the files. We based our findings solely on the information we found within the contract file documents and interviews with contracting officials and not on the

¹⁶ The Department of Defense's (DOD) EDA is a web-based system that provides secure online access, storage, and retrieval of contracts and contract modifications to authorized users throughout DOD.

information obtained via FPDS-NG or EDA. We determined that the data we collected were sufficiently reliable to meet the objectives of this engagement.

We conducted this performance audit from May 2011 to January 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Enclosure II: Comments from the Department of Defense



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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ACQUISITION,
TECHNOLOGY
AND LOGISTICS

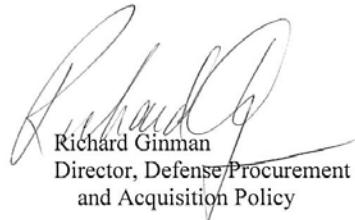
Mr. William T. Woods
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

JAN 24 2012

Dear Mr. Woods:

We appreciate the opportunity to comment on the draft General Accounting Office report, GAO-12-281R, "Air Force and Interior Can Benefit from Additional Guidance When Deciding to Lease or Purchase Equipment," summarizing the results of the review of lease versus purchase analysis. The Department's response is enclosed.

My point of contact for this issue is Mr. H. Clyde Wray. He can be reached at 703-602-8387 or clyde.wray@osd.mil.



Richard Ginman
Director, Defense Procurement
and Acquisition Policy

Enclosure:
As stated

**GAO Draft Report Dated December 21, 2011
GAO-12-281R (GAO CODE 120982)**

**“AIR FORCE AND INTERIOR CAN BENEFIT FROM ADDITIONAL GUIDANCE
WHEN DECIDING TO LEASE OR PURCHASE EQUIPMENT”**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS**

RECOMMENDATION 1: The GAO recommends that the Secretary of Defense direct the Secretary of the Air Force develop and provide additional guidance and training on how to perform lease versus purchase analyses based on a case-by-case evaluation of factors listed in the FAR.

DoD RESPONSE: DoD concurs with the recommendation. The Defense Procurement and Acquisition Policy Directorate (DPAP) will review existing regulations to see if additional guidance is needed. The Air Force will re-emphasize the requirements of FAR, subpart 7.4 and emphasize to the Air Force contracting work force to seek the availability of GSA assistance. DPAP will coordinate with the Defense Acquisition University (DAU) to review DAU available training on lease versus purchase determinations to determine if it needs improvement.

Enclosure III: Comments from the General Services Administration



GSA Administrator

February 1, 2012

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) is pleased to provide you with our response to the U.S. Government Accountability Office (GAO) draft report entitled "Air Force and Interior Can Benefit from Additional Guidance When Deciding to Lease or Purchase Equipment" (GAO-12-281R). We greatly appreciate the ability to provide support to our sister agency customers.

In reference to GAO's recommendation that GSA update FAR 7.4 to include current contact information, GSA will immediately initiate a technical correction to update the FAR, as recommended. Further, we will update our website with current contact information for the GSA offices that provide leasing and purchasing support in accordance with FAR 7.4 in order to provide our agency customers with assistance in determining the most expedient solution.

If you have any additional questions or concerns, please do not hesitate to contact me or Mr. Rodney P. Emery, Associate Administrator for Congressional and Intergovernmental Affairs, at (202) 501-0563.

Sincerely,

A handwritten signature in black ink that appears to read "Martha Johnson".

Martha Johnson
Administrator

U.S. General Services Administration
1275 First Street, NE
Washington, DC 20417
www.gsa.gov

Enclosure IV: GAO Contact and Staff Acknowledgments

GAO Contact

William T. Woods, (202) 512-4841 or woodsw@gao.gov

Staff Acknowledgments

In addition to the contact named above, key contributors to this report were John Neumann, Assistant Director; Marie Ahearn; Jessica Drucker; Laura Greifner; Julia Kennon; and J. Andrew Walker.

(120982)

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